

Preparing For the Next Town Budget



November 1, 2012
Board of Selectmen's Meeting

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⇒ Summary of Key Information

- Personal Income
- Town Spending
- Residential Tax Bills

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Please hold questions to the end.

Impetus

Some issues and aspirations

- ⌘ Residents' concerns with property tax bills
- ⌘ FinCom discussions last spring
- ⌘ Commonwealth's economy
- ⌘ AA+ Bond Rating with Positive outlook by rating agency – Standard & Poor
- ⌘ Importance of planning to achieve sustainable government services
- ⌘ BOS desire to be transparent with taxpayers

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- The BOS heard from residents about rising tax bills. Some residents have moved out of town due to the taxes
- My sense last spring was that the FinCom wanted to conduct a deeper analysis of the budget and its cost drivers in particular
- The state's revenues are coming in below target. The FY 14 outlook is a cause for concern – both the state and the federal
- Earlier this year S&P affirmed Dedham's AA+ rating. Further, in recognition of other improvements, provided a "Positive" outlook. S&P wrote on May 2 "The positive outlook is based on the town's continued improvement of its financial position, while at the same time implementing considerable cost control and reform measures that will mitigate the impact of its long-term liabilities. We believe stable budgetary performance, particularly while new tax levy growth slows, and continued progress in fully funding long-term liabilities over the next two years, could warrant an upgrade. The town's financial management practices are strong, well-embedded, and sustainable, and the town's overall net debt is projected to remain low and manageable."
- My own view is that we are nearing the point where we understand

what services we can sustain – this discussion tonight continues the work in that direction

- This board goes to great lengths to communicate with residents. This agenda item is another example of that commitment.
- I will now turn the presentation over to Chris Howell, from the Finance Department. He will explain historical spending and tax information which we are providing for context

Per Capita Income

Increased by 45% in the past decade

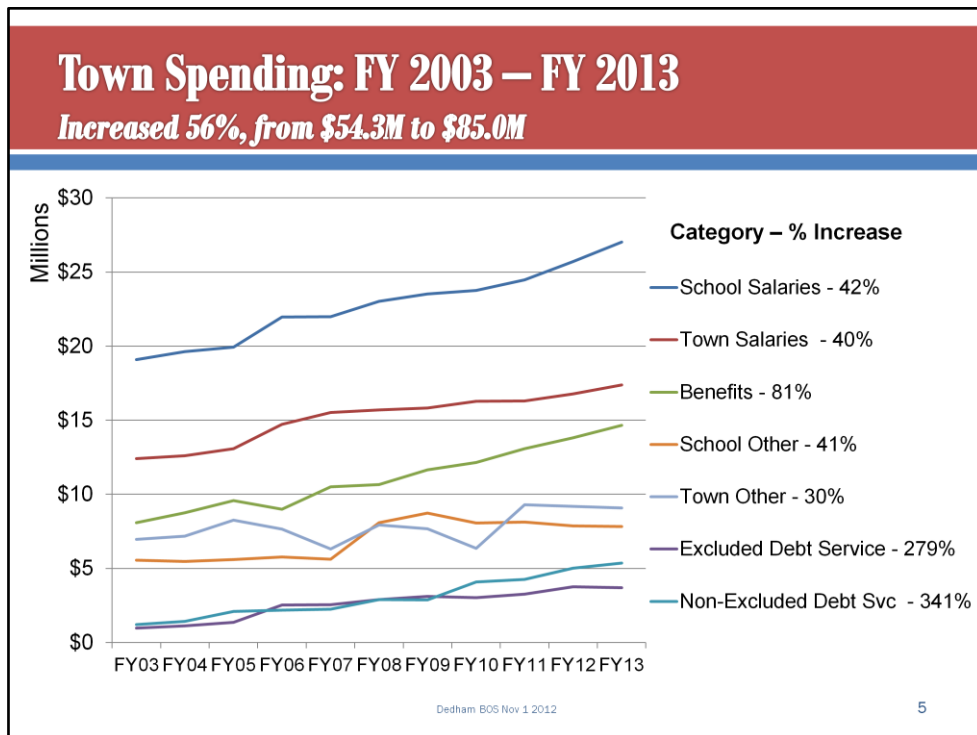
	Dedham		Norfolk County		Massachusetts	
Year	Amount	% Change	Amount	% Change	Amount	% Change
2010	\$40,809	45%	\$42,371	30%	\$33,966	31%
1999	\$28,199	48%	\$32,484	54%	\$25,952	51%
1989	\$19,045	125%	\$21,091	139%	\$17,224	131%
1979	\$8,454	n/a	\$8,828	n/a	\$7,457	n/a

Source: US Department of Commerce

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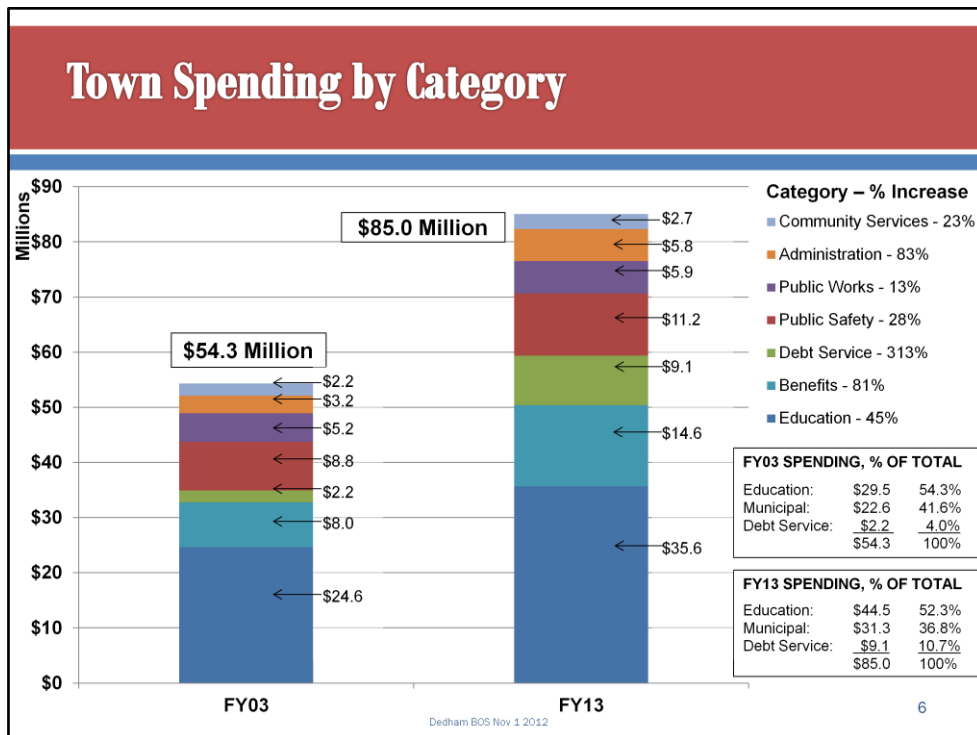
- This chart reports per capita income, as collected by the U.S. Department of Commerce. As we'll be moving into a discussion of costs, this data will provide some perspective on income growth in Dedham.
- You can see the information goes back to 1979 and is gathered every decade. The chart also shows Norfolk County and Massachusetts.
- Per capita income in town has risen approximately 45% in the last decade, outpacing the reported changes in Norfolk County and the state.
- In the decades of the 1980s and 90s, Dedham's growth in per capita income lagged behind both the county and the state. Dedham has since caught and surpassed Norfolk County and the Commonwealth, which reflects a general change in the profile of the community. 10% more residents have a college degree than did 10 years ago, which is reflected in increased earnings. In 1999, Dedham ranked 108th of the 351 Massachusetts municipalities in per capita income. In DOR's data used for FY13 cherry sheets, Dedham ranked 81st.



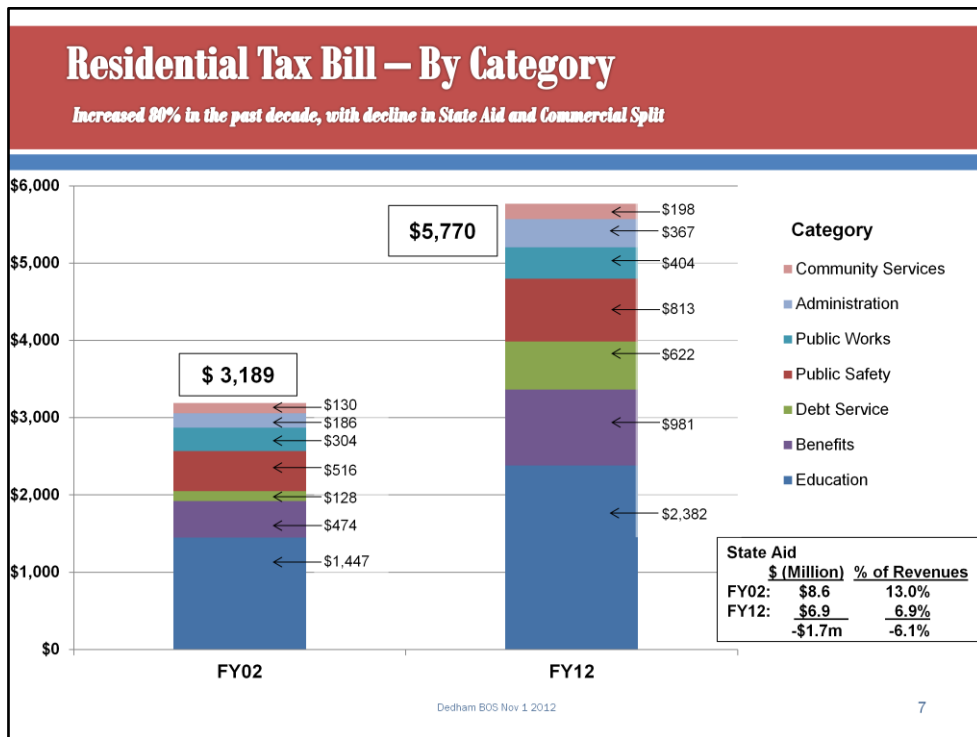
- This chart illustrates trends in the Town's spending from FY03 through FY13. Spending in millions of dollars is represented on the vertical axis. The horizontal axis represents chronology of FY03 to 13.
- To the right of the chart is the data key. Each category of spending is represented by a color line, and beside each line in the key is the percentage increase in spending over this period.
- For example the red line is Town Salaries. In FY03 this was about \$12 million dollars. In FY 2013 this is about \$17 million dollars, an increase of 40%.
- Benefits is the green line. This includes health insurance and pensions for current and retired employees – it has climbed 81% in the past decade. So notice that while Town and School salaries have actually increased at a lower rate than the per capita income of Dedham residents, the cost of employee benefits has increased at nearly double the rate of those salaries.
- Debt service is shown by the two lines at the bottom of the chart. Excluded and Non-Excluded Debt Service are shown separately; taken together the Town's debt service has increased by 313% in this period. In terms of absolute dollars though, this is low on the list of

all expenditures.

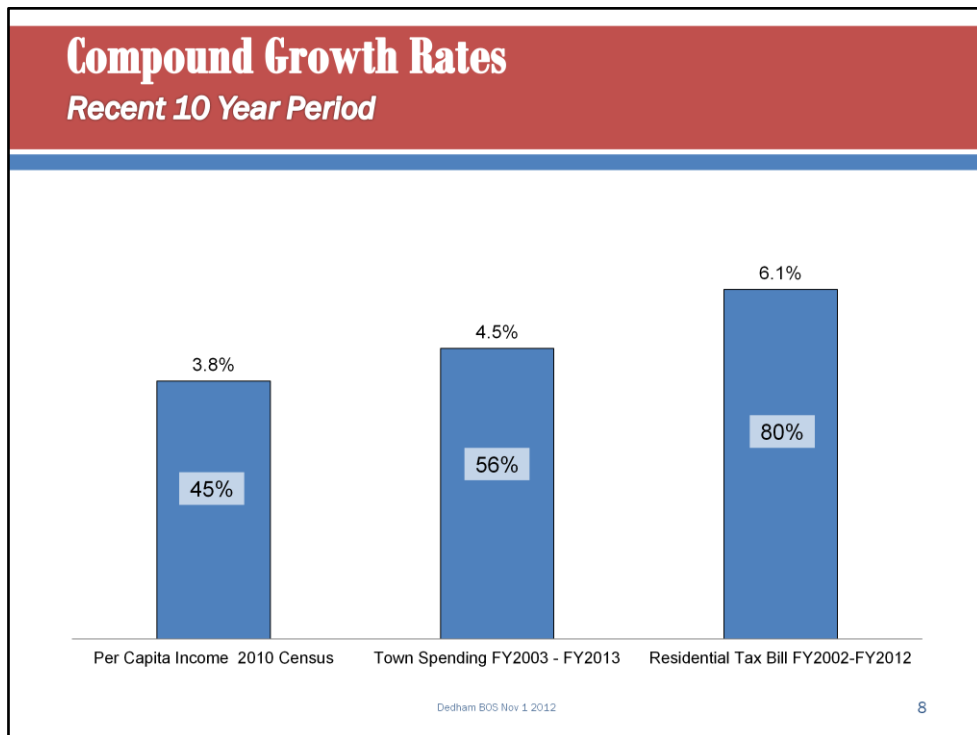
- The growth in spending over this period, from \$54.3m to \$85m, is a bit over \$30 million in total. Of that \$30 million, approximately 2/3 is salaries and benefits. \$7 million is debt service.



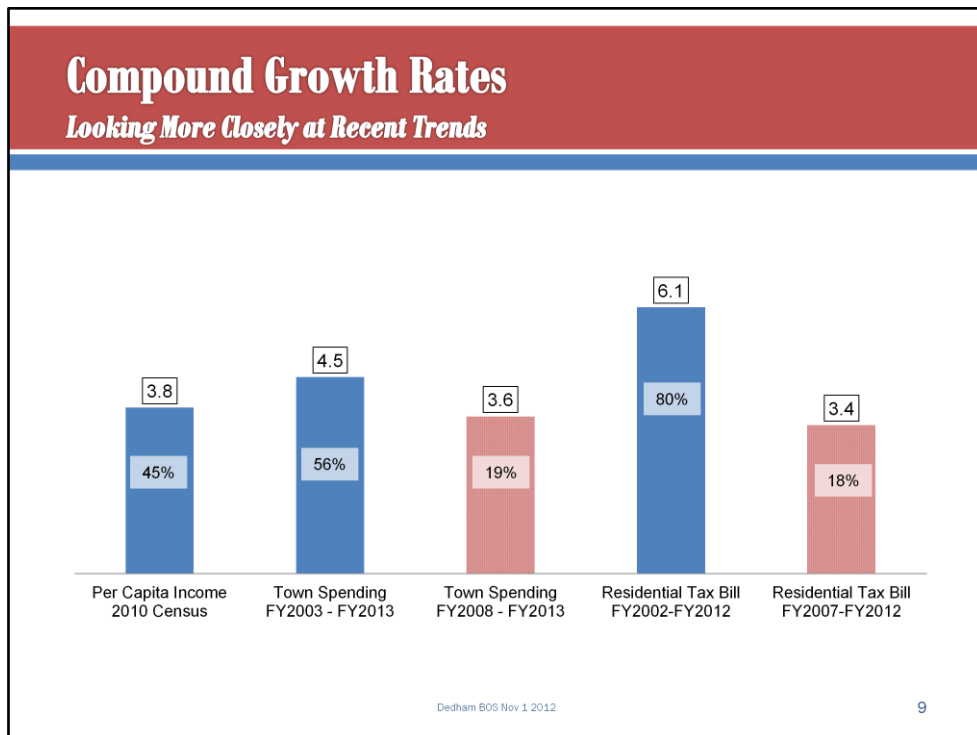
- This slide compares spending in FY03 and FY13, in a different format. Again we see the same overall increase in spending from \$54 to \$85 million.
- Each category of spending is represented by a section in each stack, with the dollars for each category shown.
- The key at the right describes each category and lists the % increase over this period.
- For example, at the top of each bar is Community Services. In FY03, the Town spent \$2.2 million for Community Services; in FY13, \$2.7 million. In the key we see this is an increase of 23%.
- At the bottom right is a summary of all spending for Education costs, salaries, and benefits, Municipal Services costs, salaries, and benefits, and Debt Service. We can see that as debt service increased from 4% of spending in FY03 to 10.7% of spending in FY13, spending on Education as a percent of the total dropped 2%, and spending on Municipal Services as a percent of the total dropped 4.8%. Costs increased \$15 million in Education, and \$8.7 million in Municipal Services.



- These stacked bar charts show how the average residential property tax bill has increased, and how those tax dollars are allocated.
- For example, of the \$3,189 billed to the average resident in FY02, \$1,447 was spent on Education. In FY12, the average bill was \$5,770, of which \$2,382 was spent on education.
- The top of the page references the commercial split and state aid. In FY03 state aid (\$8.6 million) represented 13% of the town's revenue. In FY12 state aid (\$6.9 million) represents 6.9%. If state aid constituted 13% of revenues, the average tax bill would be \$5,305 - \$465 lower (66% increase from FY02).
- The commercial split refers to the tax rate commercial properties are assessed compared to residents. The assessors can help us explain this.



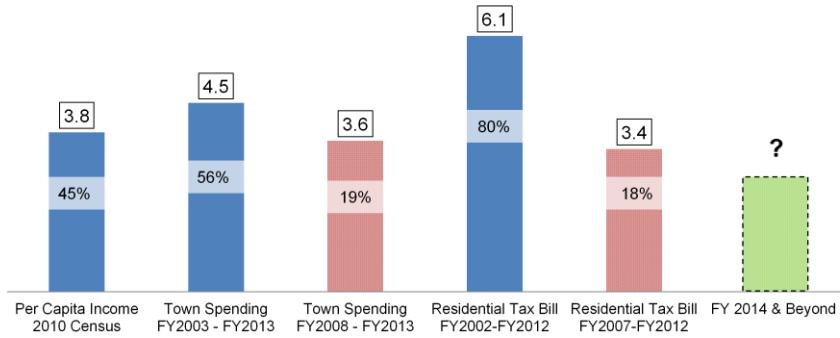
- To summarize the previous data to this point, per capita income is up 45%, total Town spending is up 56%, and the average tax bill is up 80%.
- This chart shows the compound annual growth rate of each of these three categories over a decade.
- While an annual increase of 4.5% in spending may not seem like an exorbitant figure in one year, over time the results can be significant as those increases compound. This helps explain a total increase in spending from \$54m to \$85m (56%), and residential tax bills growing from \$3,189 to \$5,770 (80%).



- This slide presents the same information as the previous slide (the blue bars) but it now contains two red bars that focus on growth rates of the previous five years.
- We can see that the growth in Town spending and Residential Tax Bills has moderated.
- Town spending increased 19% over these five years, 3.6% annually.
- Tax bills increased by 18%, 3.4% each year, for the past 5 years.
- With this data, we are now near the beginning of the FY14 budget process, and I will turn the rest of the presentation back to Mike.

Compound Growth Rates

What Course Will We Set?



Principles & Considerations

Prudent Allocation of Taxpayer Dollars Among Critical Services

- Education
- Public Safety
- Investment in Roads, Sewers and Buildings

Commitment to Intergenerational Equity

- Avoid shifting costs to future generations
- Fulfill pension and health care promises to employees and retirees.

Urgent Need for Sustainable and Resilient Government

Competitive compensation package to attract employees
Recognition of residents' concerns and taxpayers' ability to pay
Abiding by our financial policies

Go beyond sustainability to a system that is adaptable and regenerative – in a word: resilient

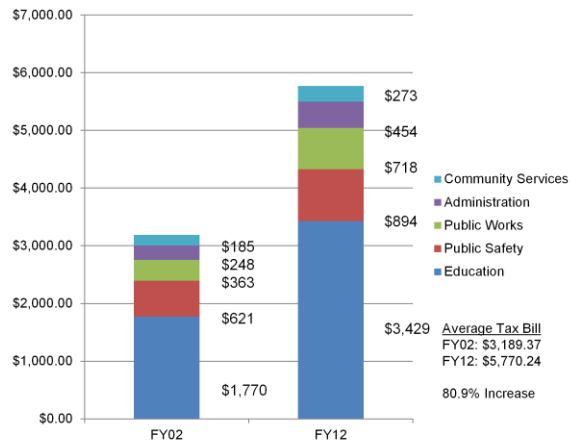
Questions and Comments

- ☞ What level of service do we want to maintain?
- ☞ Can we deliver services for less dollars?
- ☞ What are the major cost drivers?
- ☞ What alternatives do we have for slowing spending growth?
- ☞ Can we impact revenues?
- ☞ What role can Assessors play?
- ☞ The Budgeting process should start earlier and needs more input from BOS, School Committee and FinCom to understand the drivers and goals.

END



Average Tax Bill By Function



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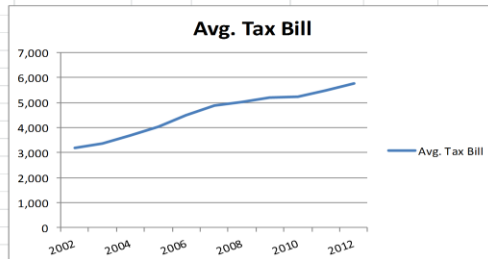
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Residential Property Tax Details

Fiscal Year	# of Homes	Total Value	Average Value	Tax Rate	Avg. Tax Bill	\$ Increase	% increase	Shift %
2012	6,568	\$2,456,186,900	\$373,963	\$15.43	\$5,770.24	\$287.27	5.2%	170
2011	6,562	\$2,503,778,300	\$381,557	\$14.37	\$5,482.98	\$255.84	4.9%	175
2010	6,550	\$2,523,045,200	\$385,198	\$13.57	\$5,227.13	\$23.84	0.5%	175
2009	6,547	\$2,699,365,100	\$412,306	\$12.62	\$5,203.30	\$178.29	3.5%	175
2008	6,542	\$2,728,099,600	\$417,013	\$12.05	\$5,025.01	\$142.74	2.9%	175
2007	6,530	\$2,916,850,500	\$446,685	\$10.93	\$4,882.26	\$395.96	8.8%	183
2006	6,526	\$2,625,792,900	\$402,359	\$11.15	\$4,486.30	\$458.74	11.4%	190
2005	6,519	\$2,505,309,600	\$384,309	\$10.48	\$4,027.56	\$330.21	8.9%	197
2004	6,510	\$2,352,855,500	\$361,422	\$10.23	\$3,697.34	\$330.71	9.8%	200
2003	6,507	\$1,561,419,800	\$239,960	\$14.03	\$3,366.64	\$177.27	5.6%	175
2002	6,515	\$1,554,131,400	\$238,547	\$13.37	\$3,189.37			175

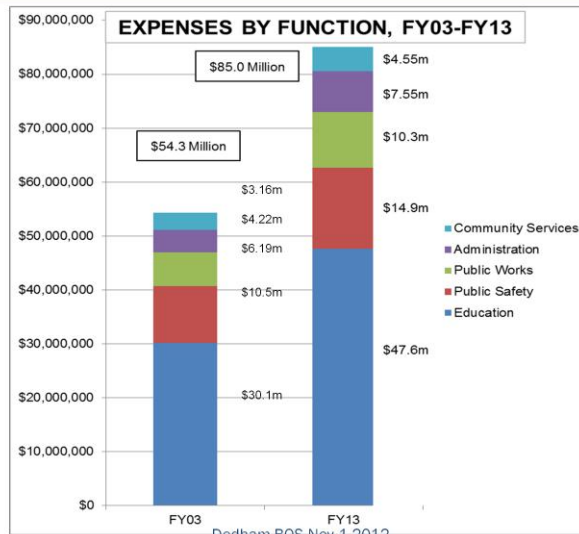
Per cent increase 2012/2002	81%
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Fiscal Year	Avg. Tax Bill
2002	3,189
2003	3,367
2004	3,697
2005	4,028
2006	4,486
2007	4,882
2008	5,025
2009	5,203
2010	5,227
2011	5,483
2012	5,770

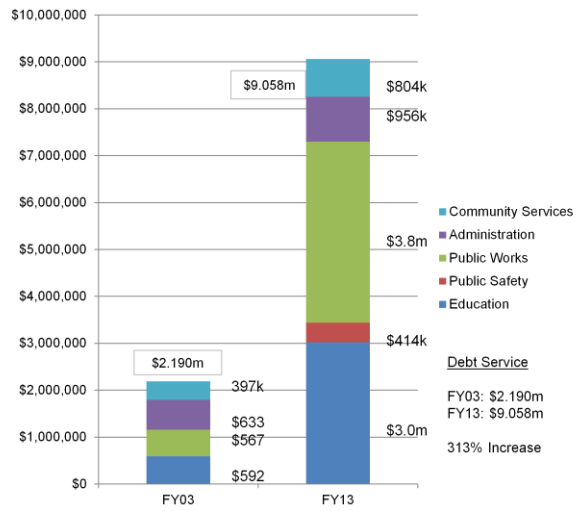


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Budget - FY 03 and FY 13



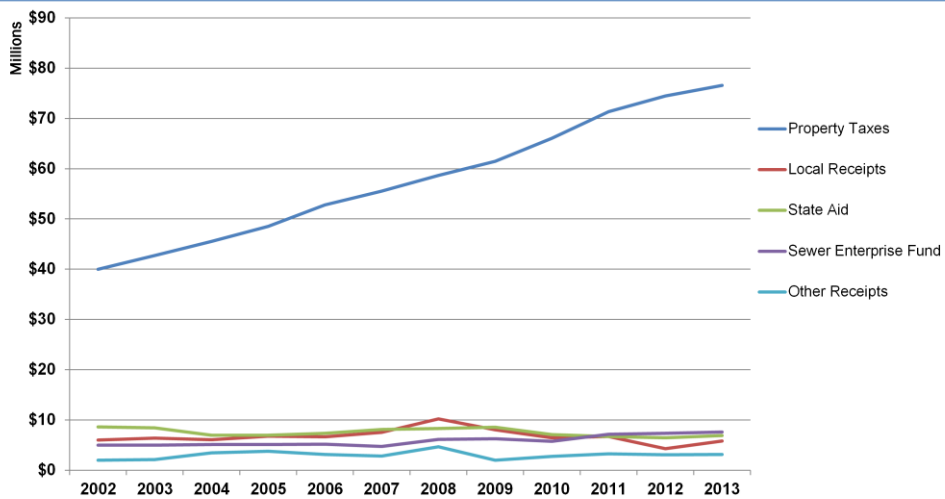
Annual Debt Service - FY 03 and FY 13



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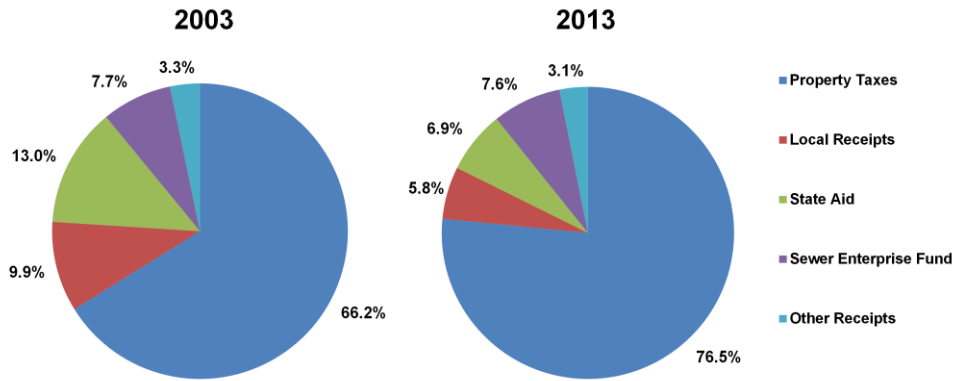
Revenue Source Trends, FY02-FY13



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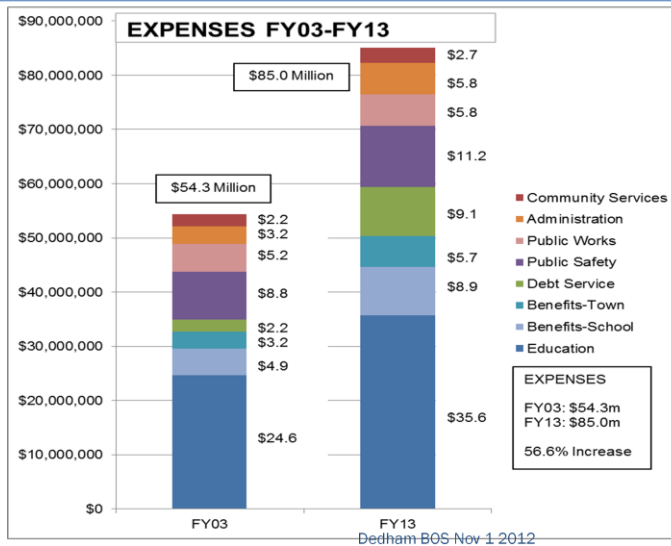
Revenue Sources



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Town Spending by Category



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